

# Small Employers and the Small Business Health Options Program (SHOP)

Results from a National Study of Employers with 50 or Fewer Employees about Health Insurance | December 2015

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# INTRODUCTION

The Robert Wood Johnson Foundation commissioned PerryUndem and GMMB to conduct a study of employers with 50 or fewer employees to understand their feelings about offering health insurance. In particular, the study explored awareness of and interest in the Small Business Health Options Program, or SHOP, the health insurance marketplace for small businesses created by the Affordable Care Act.<sup>1</sup>

While health insurance marketplaces initially focused on outreach and enrollment to individuals and families, federal and state-based marketplaces are now looking to increase participation in SHOP. This study seeks to inform these efforts by identifying motivations and barriers for small employers to use the marketplace. It also tests features and identifies messengers to learn how to communicate effectively with small employers about the benefits of using SHOP.

<sup>1</sup> Throughout the report, we use the term “SHOP” to refer to the employer marketplace that can be accessed through HealthCare.gov or a state marketplace.

# METHODS



## Focus Groups

August 2015

- ✓ 2 focus groups in Baltimore, MD on 8/18:
  - 1 group with small employers (2-50 employees) who enrolled their employees in Maryland Health Connection (SHOP);
  - 1 group with small employers who do not currently offer coverage.
- ✓ 2 focus groups in Salt Lake City, UT on 8/31:
  - 1 group with small employers who enrolled their employees in Avenue H (SHOP);
  - 1 group with small employers who do not currently offer coverage.



## National Survey

September 2015

N = 821 Small Employers (2-50 Employees)

- ✓ Conducted September 18 – 29, 2015.
- ✓ All survey respondents are decision-makers within their company.
- ✓ Companies with one employee or two employees in which the two are family members were screened out – they are not eligible for SHOP.
- ✓ Margin of error for the survey: +/- 3.4 percentage points.
- ✓ Administered by telephone by Braun Research.

# SUMMARY



# FEELINGS ABOUT HEALTH INSURANCE.

## **Half offer health insurance and half do not.**

The survey finds that small employers are almost evenly split among those offering coverage (48%) and those not offering coverage (51%).

## **9 in 10 feel coverage is important.**

Whether they offer it or not, 89% feel employees having coverage is important. Keeping employees healthy and productive, retaining valued employees, and because it is personally important to the employer are top reasons to offer health insurance.

**For those who don't offer insurance, the main reasons are cost and the fact that they think their employees already have health coverage.** Thinking about the future: 3 in 10 small employers not offering coverage now say they are likely to offer it in the next 12 months.

## **Finding an affordable plan and being able to control costs are top reasons why small employers might offer coverage in the future.**

These are the top motivating factors for small employers who are not currently offering coverage.

# AWARENESS AND FEELINGS ABOUT SHOP.

## **There is an awareness gap about SHOP.**

There is a big awareness gap about SHOP depending on whether a business offers insurance or not. Those who currently offer coverage are much more likely to say they know about SHOP before hearing a description than those who do not offer coverage (69% vs. 37%).

## **3 in 10 looked into SHOP.**

Employers who offer coverage were much more likely to look into SHOP than those who do not (45% vs. 14%). And 11% of all small employers say they purchased their company's insurance through SHOP.

## **They like SHOP's features.**

All of SHOP's features tested in the survey are appealing to small employers (all received above 80% saying they are "important"). The top features are the tax credit and being able to set their contribution amount.

## **The top reasons for small employers to use SHOP: the tax credit and the opportunity to find an affordable plan.**

Being able to set their contribution amount, offer employees a wide choice of plans, and have an easy and convenient experience are other reasons for small employers to use SHOP next time they need insurance for their company.

## LIKELIHOOD TO USE SHOP.

### **After learning more, 8 in 10 say they will look into SHOP.**

Almost half of this group (48%) say they are “very” likely to look into SHOP next time they need insurance. Small employers who already offer health coverage are much more likely to look into SHOP in the future than employers who do not currently offer insurance (58% vs. 39% “very” likely). However, the key finding is that strong majorities of all subgroups say they are likely to look into SHOP after learning more.

### **The fact that their employees already have coverage is the top barrier to going to SHOP.**

Among those saying they are unlikely to go to SHOP, the main reason they give is that their employees already have coverage from another source (36%). Believing the plans will not be affordable is another top barrier to using SHOP (30%).

### **Other small employers are the best messengers for SHOP.**

They want to hear from small employers who have used SHOP to learn more about the experience, the costs, and the plans available. Agents/brokers are the next best messenger on this issue. It should be noted that 74% of small employers offering coverage in this survey said they used a broker. However, the focus groups suggest that among those not offering coverage, there may be mixed feelings about brokers.



## BEYOND SHOP.

### **More than 8 in 10 are willing to help uninsured employees find coverage.**

Whether they offer coverage or not, 84% of small employers say they are willing to help employees find affordable coverage on their own. Of this group, 96% are willing to encourage their uninsured employees to go to HealthCare.gov or their state marketplace to find insurance.

### **Most are willing to let employees use office computers and distribute marketplace materials to help them find coverage.**

Half (50%) are also willing to let someone from the marketplace come into their office to educate employees and help them enroll.

### **Most say the ACA has had a positive effect or no effect on their company.**

However, one-quarter of small employers (24%) say the healthcare law has had a negative effect on them.

### **Most companies have not made changes as a direct result of the law.**

However, 35% say they have made changes: not hiring new staff (16%); cutting back employees' hours (11%); cutting other benefits (9%); lower wages (8%) or stopped offering insurance (8%).

# **GENERAL FINDINGS**



# PROFILE OF SMALL EMPLOYERS.

## Company Size



2-9 employees	76%
10-24 employees	18%
25-50 employees	6%

(This break out is representative of U.S. small businesses with 2-50 employees)

Most are privately owned (90%), not publicly owned (5%) or non-profit (3%).



## Total Annual Revenues

<b>24%</b>	<b>46%</b>	<b>22%</b>
<\$100,000	\$100,000-\$999,999	\$1,000,000+

## Type of Ownership

Woman owned	36%
Minority owned	15%
Veteran owned	10%
None of these	42%

## Industry Type

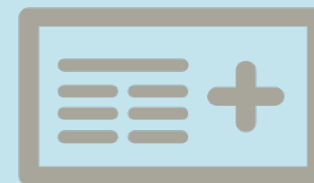


Professional/Scientific/Technical Services	14%
Construction	12%
Retail	12%
Healthcare/Social Assistance	11%
Other Services	11%
Accommodation/Food	9%

## Average Salary of Employees:

<\$20,000	13%
\$20,000-\$29,999	22%
\$30,000-\$39,999	19%
\$40,000-\$49,999	15%
\$50,000-\$59,999	12%
\$60,000+	13%

## Health Insurance



### Do you offer health insurance to your employees?

Yes	48%
Previously offered, don't now	13%
No, never offered	38%

89% of survey respondents say they have health insurance for themselves.

### [If offer insurance] What type of insurance? n=501

Private/through insurance company	80%
Private/through HealthCare.gov or state marketplace	12%
Self-funded	2%
Health Savings Account	2%
Other	2%

# SMALL EMPLOYERS FEEL STABLE, OPTIMISTIC ABOUT THE FUTURE.

Small employers are upbeat about their companies now and in the future. The vast majority describe their company's financial situation as "stable" and most are optimistic about the future of their company.

**On a 10 to 0 Scale, If They Feel Their Company Is Financially Stable and Are Optimistic about Their Company's Future**



10 to 0 scale – very stable to very unstable (n=821)



10 to 0 scale – very optimistic to very pessimistic (n=821)



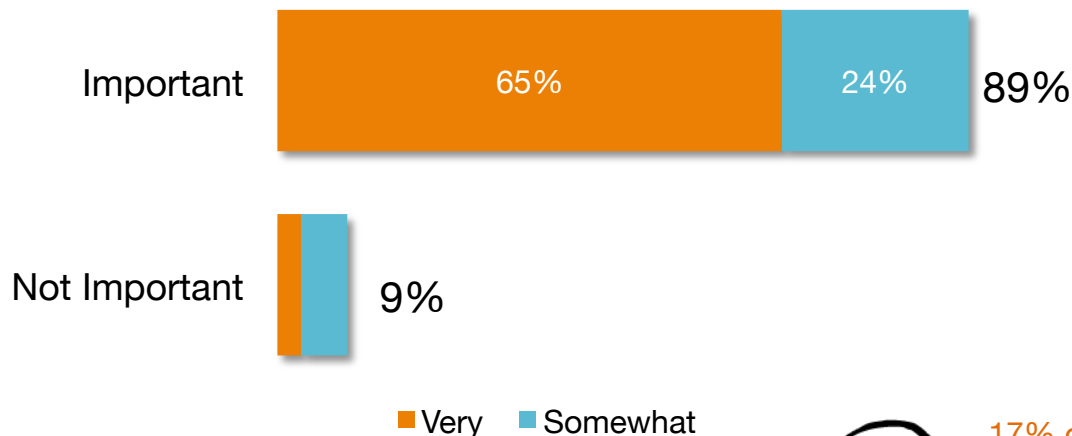
Companies with 10-24 (92%) and 25-50 (90%) employees are more optimistic than those with <10 employees (84%).

# THEY FEEL HEALTH INSURANCE IS IMPORTANT FOR THEIR EMPLOYEES.

Whether they offer health insurance to their employees or not, almost 9 in 10 small employers (89%) say it is important that their employees have health coverage. Also, 8 in 10 (80%) believe all or almost all of their employees currently have health coverage.

## Percent Who Feel It Is Important for Their Employees to Have Health Coverage

(n=821)



Whether you offer coverage or not, how many of your employees do you think have coverage? (n=821)

All	53%
Almost all	27%
About half	11%
Less than half	4%
None	2%
Don't know	3%

**73% of those employers who do not currently offer coverage think all or almost all of their employees have insurance.**



17% of employers think about half or fewer of their employees have insurance. Most of these companies do not offer insurance, a larger share have employees making \$40,000 or less, and they are more concentrated in the south.

# SOME EMPLOYERS VALUE HEALTH INSURANCE MORE.

Companies that already offer insurance, have 25-50 employees, have higher income employees, as well as ones that are woman-owned value insurance the most.



Small employers who already offer health coverage are much more likely to say it is “very” important for employees to have health coverage than employers who do not currently offer coverage (80% vs. 51% “very” important).



Employers with 25-50 employees are more likely than employers with 10-24 and 2-9 employees to say it is “very” important for employees to have health insurance (74% vs. 66% vs. 64%).



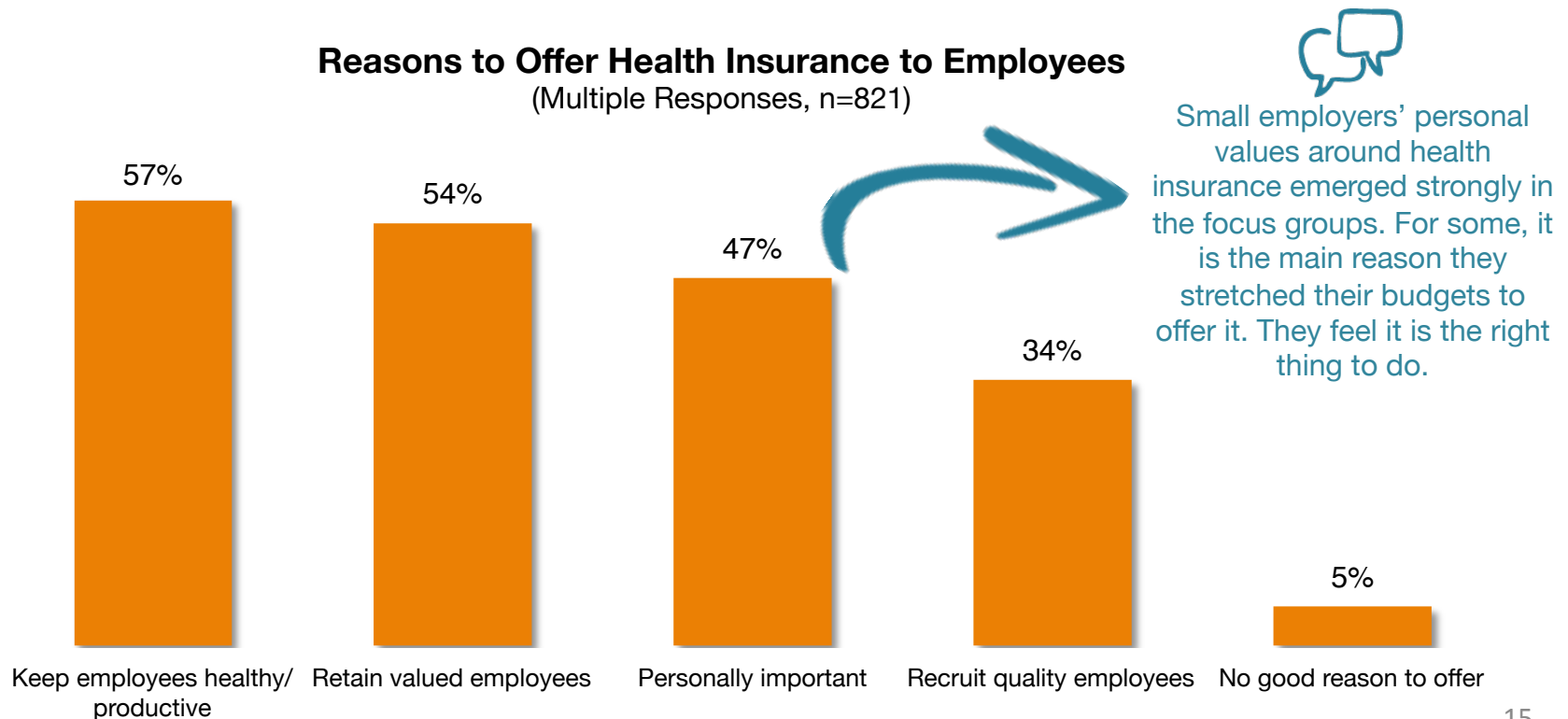
Companies with an average employee salary over \$40,000 are more likely than employers with an average employee salary under \$40,000 to say it is “very” important for employees to have health insurance (70% vs. 62%).



Woman-owned businesses are more likely to say it is “very” important for employees to have health insurance (71% vs. 65% overall).

# TOP REASONS TO OFFER INSURANCE: KEEPING EMPLOYEES HEALTHY AND RETAINING EMPLOYEES.

Nearly 1 in 2 (47%) also say a reason to offer insurance to employees is because it is personally important to them and one-third say offering coverage would help recruit high quality employees. Of note, only 5% feel there is no good reason to offer insurance.



# ABOUT HALF OFFER INSURANCE; MORE THAN 9 IN 10 SAY THEY PLAN TO KEEP OFFERING IT.

Almost half of small employers (48%) currently offer health insurance. The smallest companies (those with 2-9 employees) are much less likely to offer insurance. Three-quarters of employers offering coverage currently say they used an insurance broker to help them purchase it. The vast majority say they intend to keep their company's insurance for the next 12 months.

## Percent of Small Employers Offering Insurance by Company Size:

2-9 employees	39%
10-24 employees	77%
25-50 employees	68%

# 74%

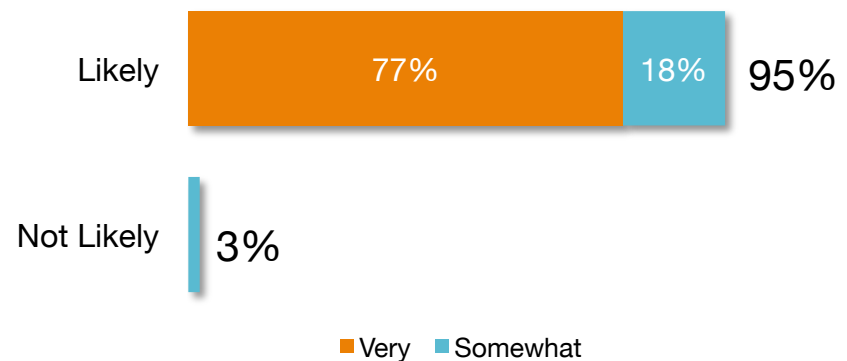
**used a broker.**

One-quarter (25%) purchased insurance for their company on their own. (n=501)



In the focus groups, small employers had strong feelings about brokers. Many who use brokers say they rely on them and find them helpful. Some of those who do not use them feel brokers will pressure them into plans that may not be right for their company or are just in it for the money.

How likely is it that your company will still be offering coverage in 12 Months? (n=501)

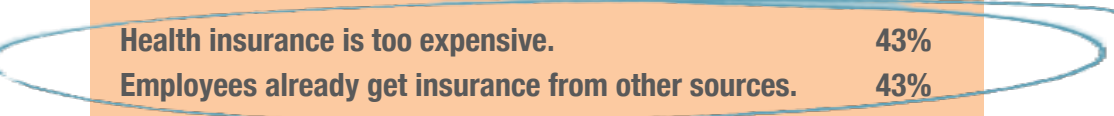





# HALF DO NOT OFFER INSURANCE

Slightly more than half of small employers (51%) currently do not offer health insurance to their employees. The expense of offering coverage and the fact that employees already have coverage through other sources are the main reasons why they do not offer it. Looking ahead 12 months, close to one-third say they are likely to be offering coverage but more than 6 in 10 say they do not plan on it.

## Reasons They Do Not Offer Health Insurance to Their Employees Currently (Multiple Responses, n=315)



Health insurance is too expensive.	43%
Employees already get insurance from other sources.	43%
Employees can find better insurance on their own.	25%
It is too much hassle to find and manage a plan.	14%
Can't find a plan that fits the needs of my company.	14%
My company never wants to offer insurance.	5%
My employees don't want insurance.	4%



## 30% vs. 62%

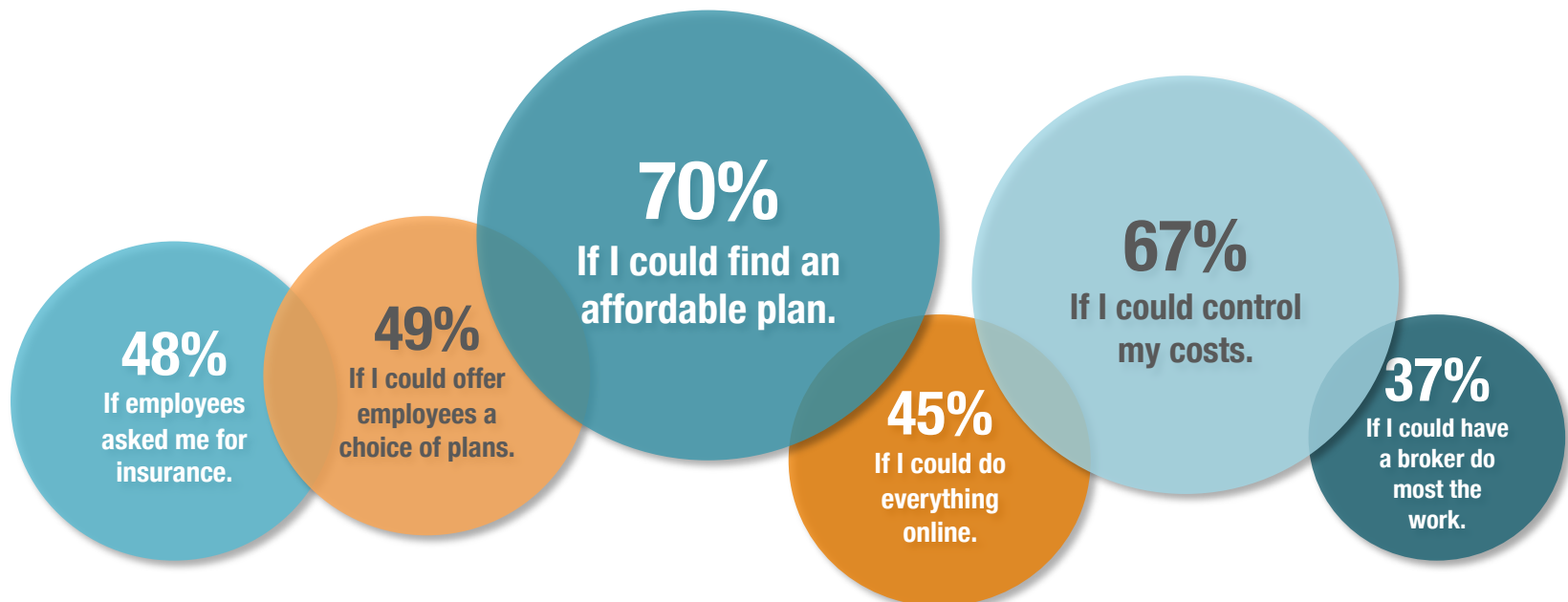
Thirty percent of small employers not currently offering coverage say they are very (6%) or somewhat likely (24%) to offer coverage in the next 12 months – while 62% say they are not too likely (28%) or not at all likely (35%) to offer coverage to their employees in the next 12 months. Seven percent are unsure. (n=315)

Of note, only 5% of small employers seem to be ruling out offering health insurance to employees in the future.

# FINDING AN AFFORDABLE PLAN AND CONTROLLING COSTS = MORE LIKELY TO OFFER INSURANCE.

These two factors seem to be most motivating for small employers who are currently not offering coverage. But many also seem to like the ability to offer employees a choice of plans and to do everything online. In addition, their employees asking them to offer insurance is also potentially motivating for some.

**Percent Who Say These Factors Would Make Them More Likely to Offer Health Insurance to Their Employees**  
(n=315)



**SHOP**

A thick, blue, hand-painted style underline is positioned directly beneath the word "SHOP".

# HALF INITIALLY SAY THEY KNOW ABOUT SHOP.

Before hearing a description, half say they know about SHOP. After hearing a description, that number jumps to almost three-quarters of small employers.

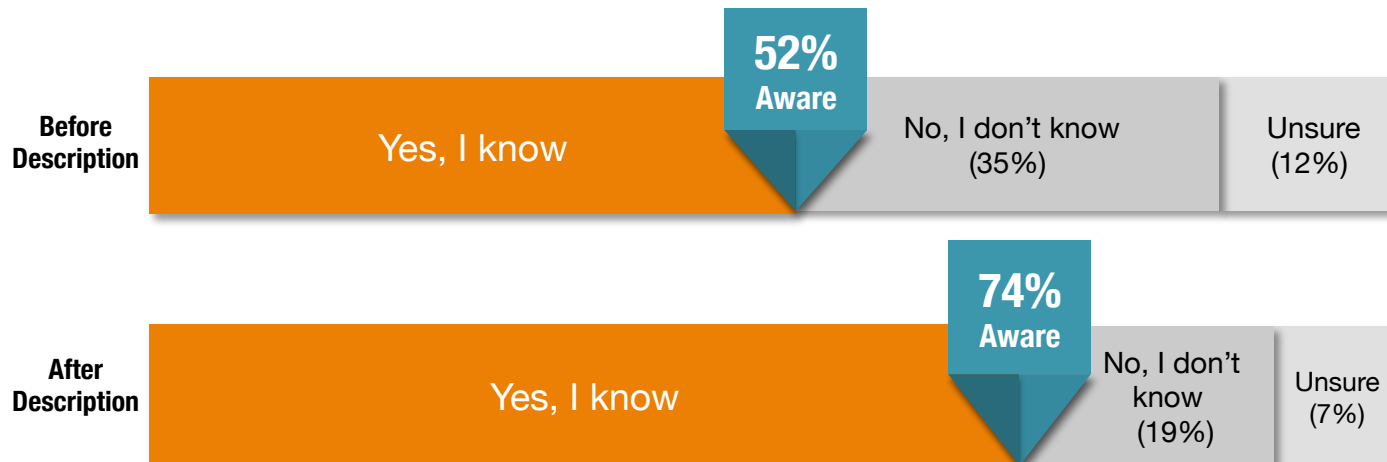
## Percent Who Know That Small Employers Can Get Insurance for Employees through SHOP

(both before and after hearing the description below) n=821

*DESCRIPTION: HealthCare.gov/State Marketplace is not just a place where individuals can get health insurance for themselves, but is also an online health insurance marketplace open to small employers with 50 or fewer full-time employees. Employers can use HealthCare.gov/State Marketplace to compare health plans side-by-side and search for plans based on a number of criteria.*



The focus groups suggest that awareness of SHOP may be surface level and that small employers lack details. Interest in SHOP seemed to greatly increase through the focus groups as they learned more.



# SOME HAVE A HIGHER AWARENESS OF SHOP.

There is higher awareness of SHOP among companies that already offer insurance, have 25-50 employees, and have higher income employees.



There is a big awareness gap about SHOP depending on whether a business offers insurance or not. Those who currently offer coverage are much more likely to initially say they know about SHOP than those who do not (69% vs. 37%).



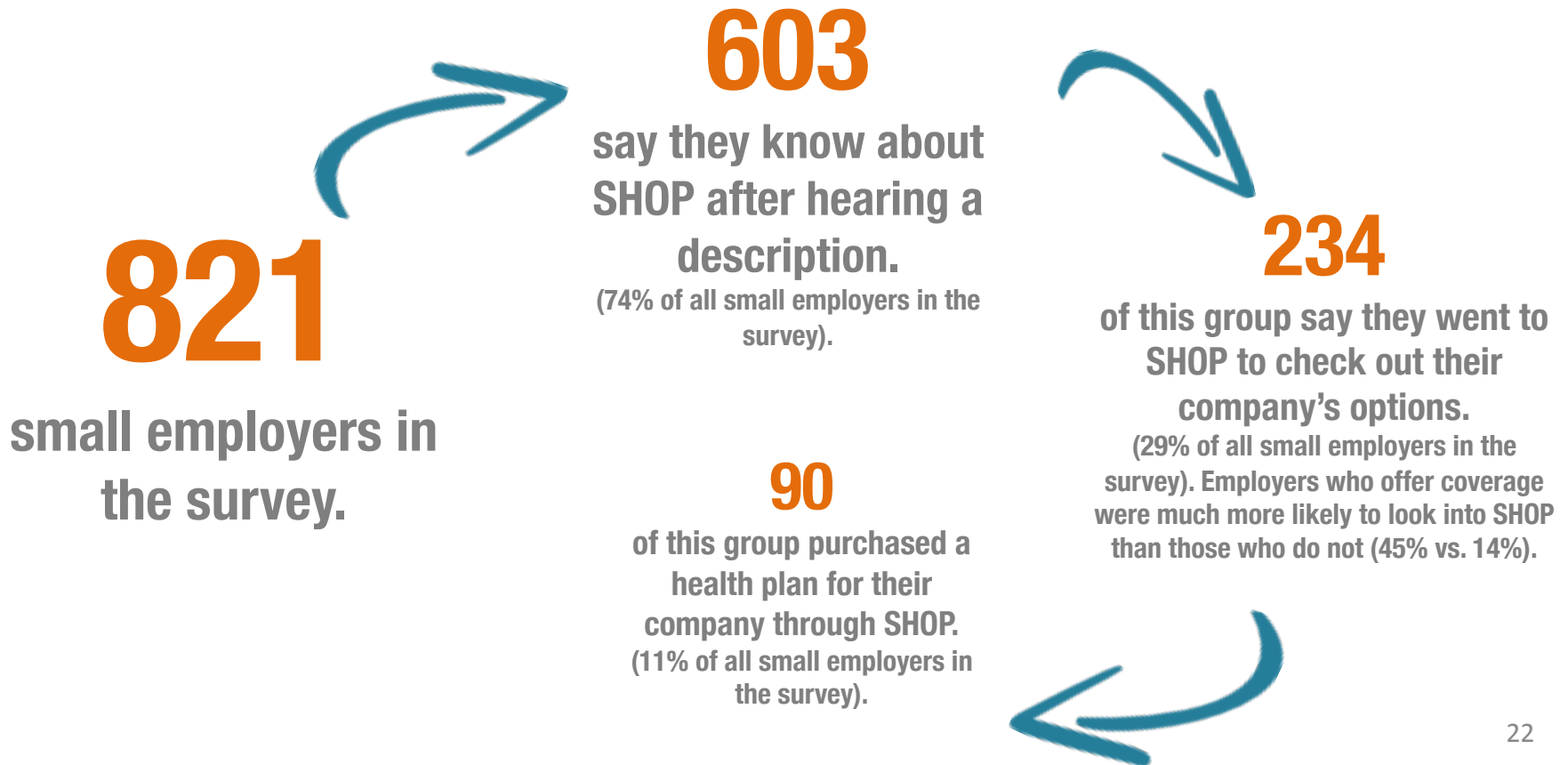
Businesses with 25-50 employees are more likely than those with 10-24 and 2-9 employees to say they know about SHOP (64% vs. 57% vs. 50%).



Small employers with an average employee salary over \$40,000 are much more likely than employers with an average employee salary under \$40,000 to initially say they know about SHOP (62% vs. 46%).

## 3 IN 10 LOOKED INTO SHOP TO BUY INSURANCE.

In addition, slightly more than 1 in 10 say they purchased a plan for their company through HealthCare.gov or their State Marketplace.



# FEATURES OF SHOP CONSIDERED TO BE IMPORTANT.

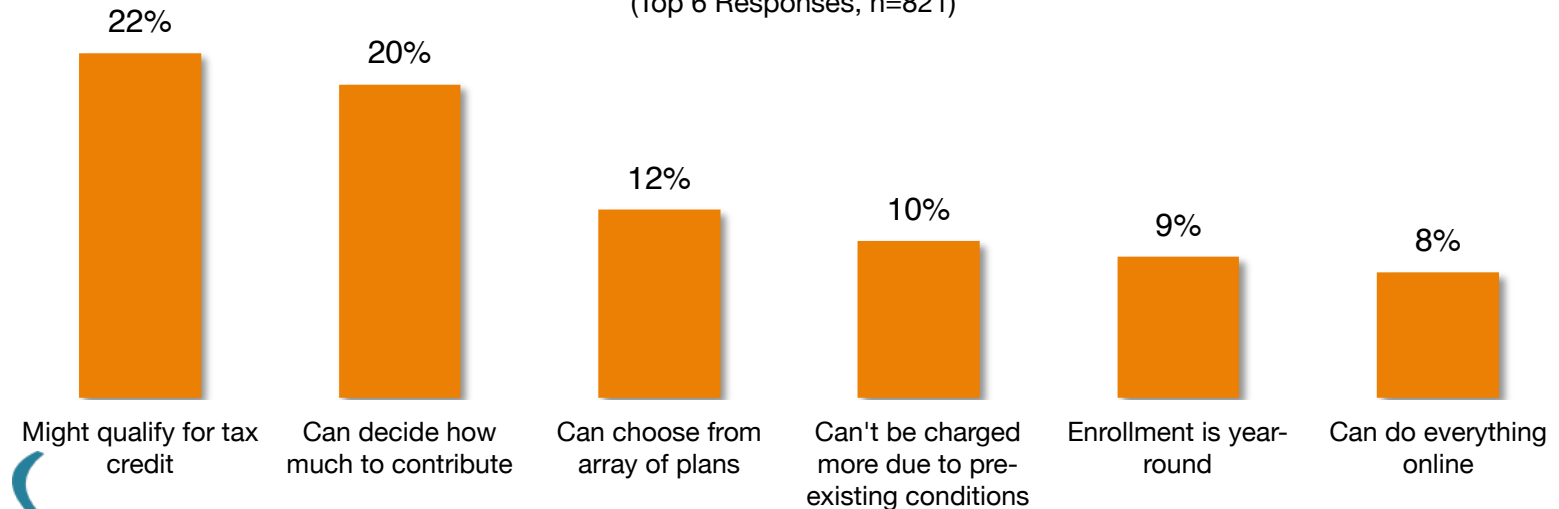
	TOTAL IMPORTANT	VERY IMPORTANT	SOMEWHAT IMPORTANT
You can decide up front how much you want to contribute to employee premiums and control your costs.	92%	68%	24%
No plans can charge you higher premiums if your employees have high medical costs or pre-existing conditions.	92%	71%	21%
If you have fewer than 25 full-time employees, you might qualify for a tax credit to help pay for the insurance.	91%	70%	20%
You can choose from a wide selection of private plans, all of which cover doctor visits, preventive care, hospitalizations and prescriptions.	91%	64%	27%
Enrollment is open year-round so you can enroll whenever it makes sense for your company.	91%	62%	29%
In some states, you can offer your employees a choice of health and dental plans that fit your budget.	88%	58%	30%
You can decide whether to offer other benefits like dependent coverage or dental insurance.	87%	54%	32%
You can do everything online – compare plans side by side, choose a plan, manage employee participation, and pay premiums.	84%	55%	29%
You can get help from certified agents or brokers to enroll. If you do not already have one, you can search for registered agents and brokers by ZIP code on the website.	81%	44%	38%

# MOST IMPORTANT FEATURES: TAX CREDIT AND THE ABILITY TO SET CONTRIBUTION AMOUNT.

When forced to choose SHOP's most important feature, the two features that rise to the top are the ones that most directly relate to controlling or reducing costs. These are: the tax credit and being able to decide how much they contribute to employee premiums.

## The Feature Small Employers Consider to Be Most Important

(Top 6 Responses, n=821)



**23% vs. 6%**

Because only companies with fewer than 25 full-time employees qualify for the tax credit, it is not surprising that employers with 2-24 employees are much more likely to say the tax credit is the most important feature than companies with 25 or more employees (23% vs. 6%).



# TOP REASONS TO USE SHOP: TAX CREDIT AND FINDING AN AFFORDABLE PLAN.

The tax credit again emerges as a top reason for small employers to look into SHOP next time they need insurance. This is important since most employers in the study might qualify for the tax credit (<25 full-time employees). Another top reason is that plans on SHOP may be more affordable than small employers can find on the private market.

## Reasons to Use SHOP Next Time They Are Looking for Insurance

(Multiple Responses, n=821)

My business might qualify for tax credit.	46%
I might find more affordable plans.	42%
I can set my contribution amount/control costs.	38%
I could give employees more choices in plan.	35%
Sounds easy and can do everything online.	35%
I could use an insurance broker.	19%
None of these.	8%



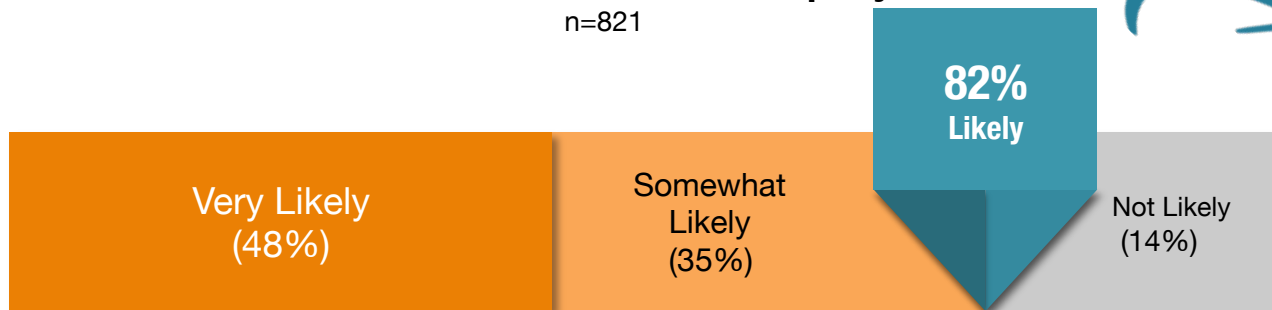
“I could give my employees more choices in plan” is the top reason for employers with 25-50 employees (49%) and “I could use an insurance broker” is also fairly important to employers this size (27%).

# 8 IN 10 SAY THEY WILL LOOK INTO SHOP NEXT TIME THEIR COMPANY NEEDS INSURANCE.

After learning about SHOP, more than 8 in 10 say they are likely to look into the SHOP marketplace for insurance in the future.

## Likelihood to Go to SHOP Next Time They Are Looking for Insurance for Their Company

n=821



In the focus groups, small employers seemed to think going to SHOP to check out their options was a “no-brainer.” If they can save money on insurance and control their costs, then they are interested.



Small employers who already offer health coverage are much more likely to look into SHOP in the future than employers who do not currently offer insurance (58% vs. 39% “very” likely).



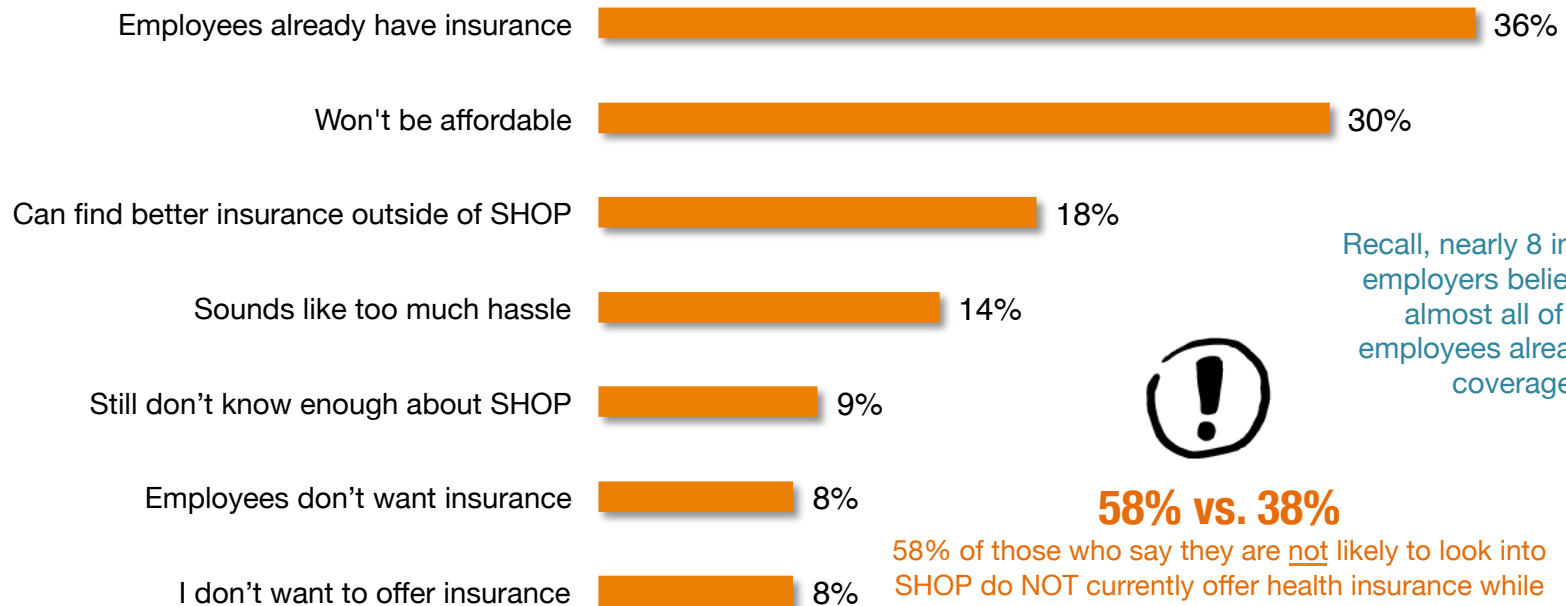
Businesses with 10-24 employees are more likely than those with 25-50 and 2-9 employees to say they are likely to visit SHOP (58% vs. 52% vs. 45%).

# MAIN BARRIER TO LOOKING INTO SHOP: EMPLOYEES ALREADY HAVE INSURANCE FROM ANOTHER SOURCE.

Another top barrier is the belief that plans available through SHOP will not be affordable.

## [Of Those Who Say They Are Not Likely to Look into SHOP] Main Reasons Why Not

(Multiple Responses. n=95)



**58% vs. 38%**

58% of those who say they are not likely to look into SHOP do NOT currently offer health insurance while 38% of those who say they are not likely to look into SHOP already offer insurance.

Recall, nearly 8 in 10 small employers believe all or almost all of their employees already have coverage.

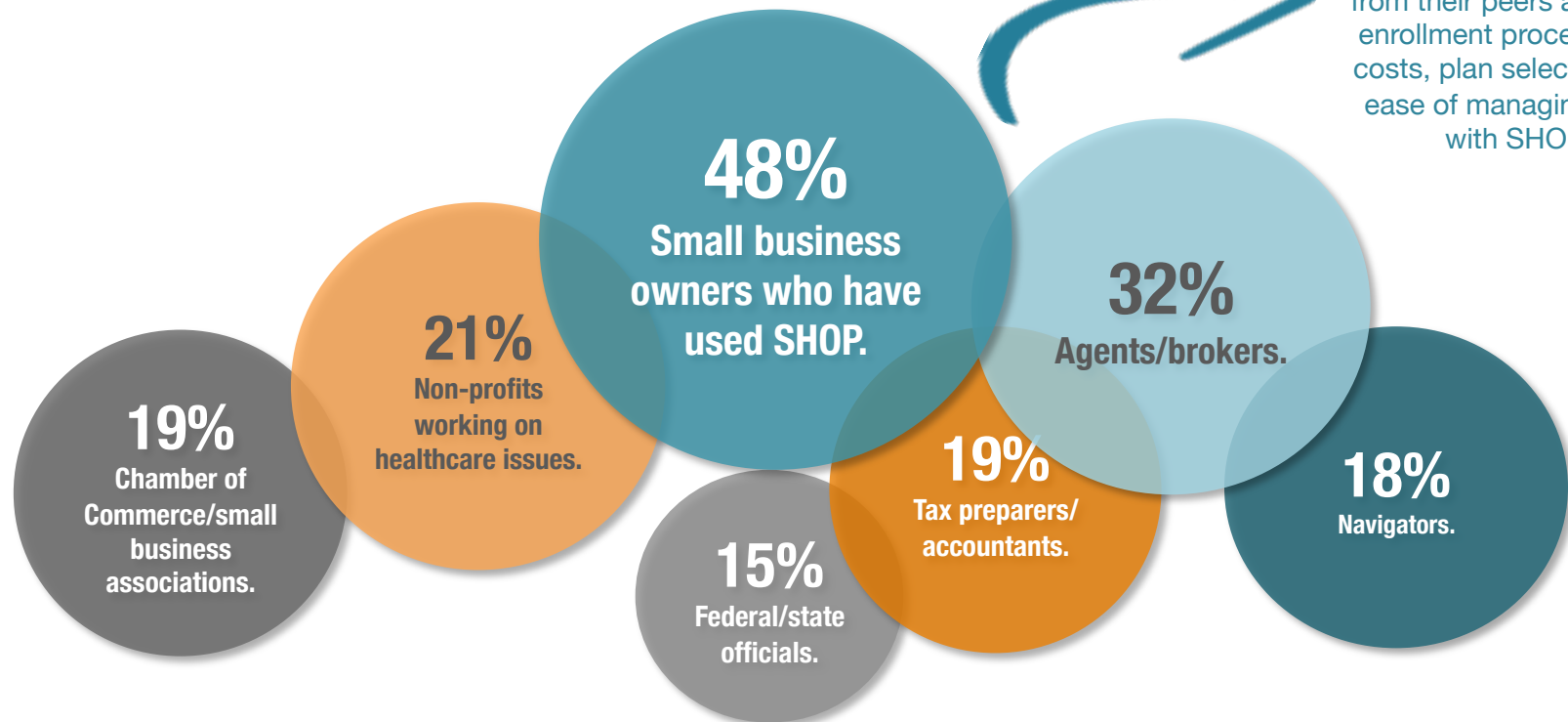
# BEST MESSENGER FOR SHOP: OTHER SMALL BUSINESS OWNERS WHO HAVE USED SHOP.

Agents/brokers are also good messengers on SHOP.

## Who Small Employers Want to Hear from to Learn More about SHOP (Top Two Choices, n=821)



The focus groups suggest employers want to hear from their peers about the enrollment process, their costs, plan selection, and ease of managing plans with SHOP.



**BEYOND SHOP**

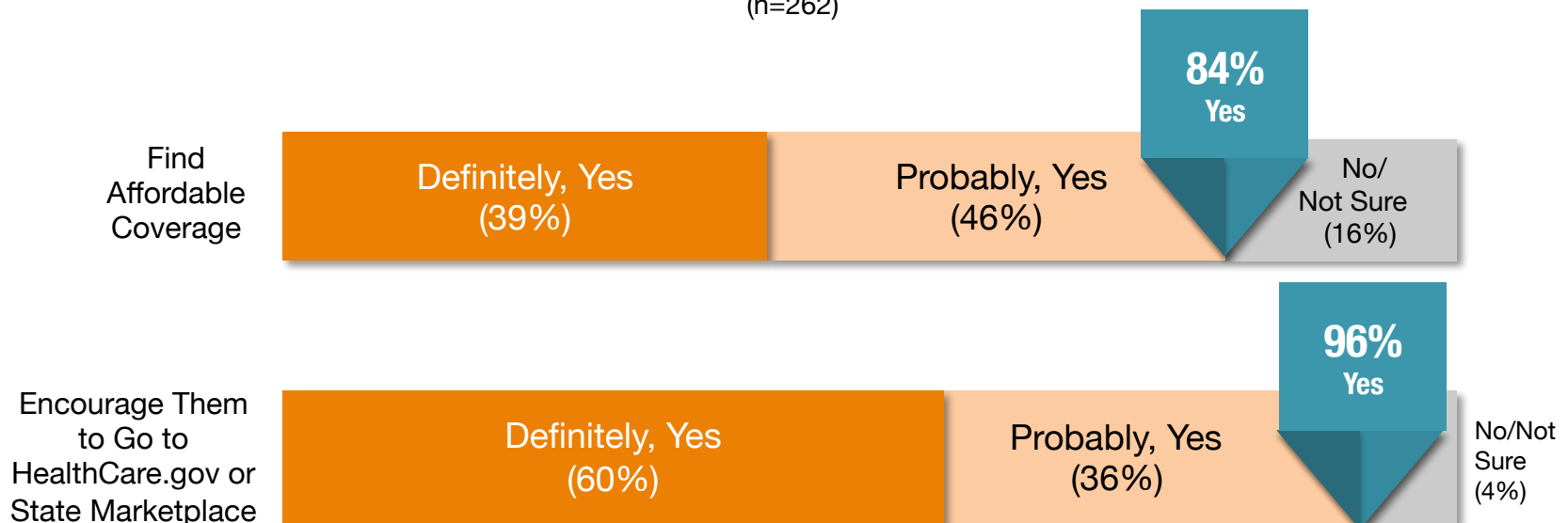


# 8 IN 10 ARE WILLING TO HELP UNINSURED EMPLOYEES FIND COVERAGE.

Small employers not offering coverage were asked if they would be willing to help their employees find affordable coverage: more than 8 in 10 said “yes” and more than 9 in 10 said they would be willing to encourage uninsured employees to go to HealthCare.gov or their state marketplace to check out their options.

**[Of Small Employers Not Offering Coverage Currently]**  
**Willingness to Help Employees Find Affordable Coverage**  
(n=315)

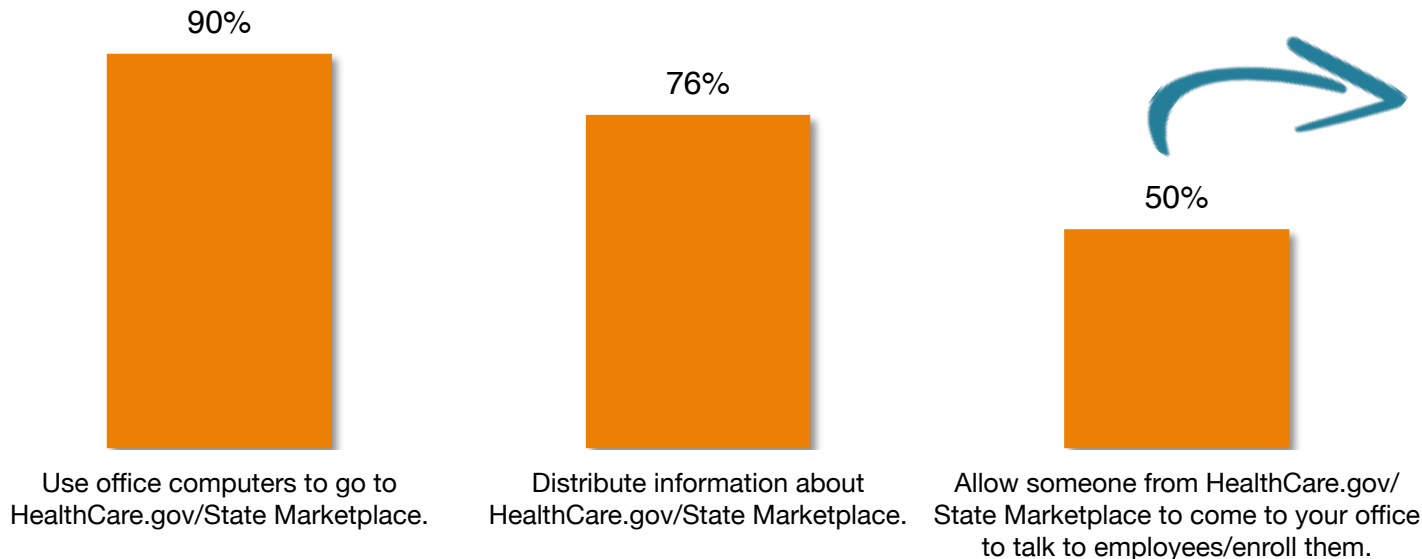
**[Of Those Willing To Help Employees]**  
**Encourage Uninsured Employees to Go to HealthCare.gov/State Marketplace**  
(n=262)



# MOST ARE WILLING TO LET EMPLOYEES USE OFFICE COMPUTERS TO ENROLL AND DISTRIBUTE INFORMATION ABOUT THE MARKETPLACE.

Most small employers not offering insurance seem willing to take specific steps to help their uninsured employees find coverage. However, they seem torn on whether or not to allow someone from the Marketplace into their office space to educate employees about HealthCare.gov or their state marketplace and possibly help them to enroll.

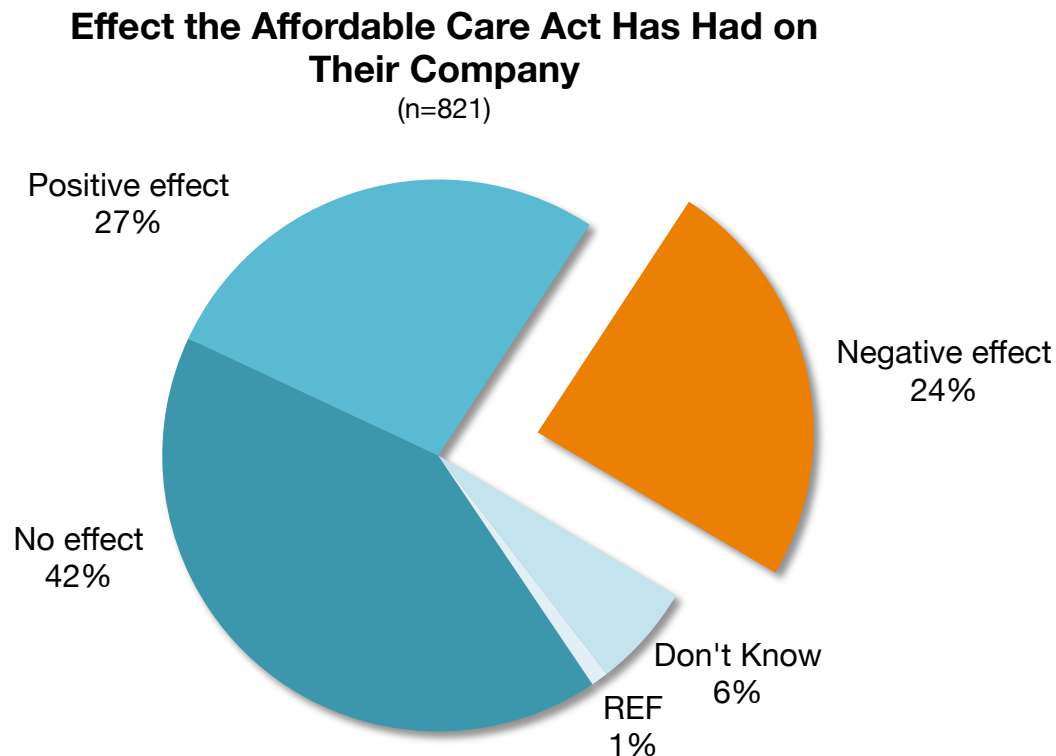
**[Of Those Willing To Help Employees]  
Percent Who Would be Willing to Do the Following:**  
(n=262)



The focus groups suggest employers might be worried an in-person presentation could take employees away from work/be disruptive. When an employer suggested the presentation could occur during lunch or after hours, more small employers supported this idea.

# MOST SAY THE ACA HAS HAD EITHER A POSITIVE EFFECT OR NO EFFECT ON THEIR COMPANIES.

Three-quarters (75%) of small employers say the health care law has either had a positive effect on their company, no effect, or they do not know of its effects, while only one-quarter (24%) say the Affordable Care Act has had a negative effect.



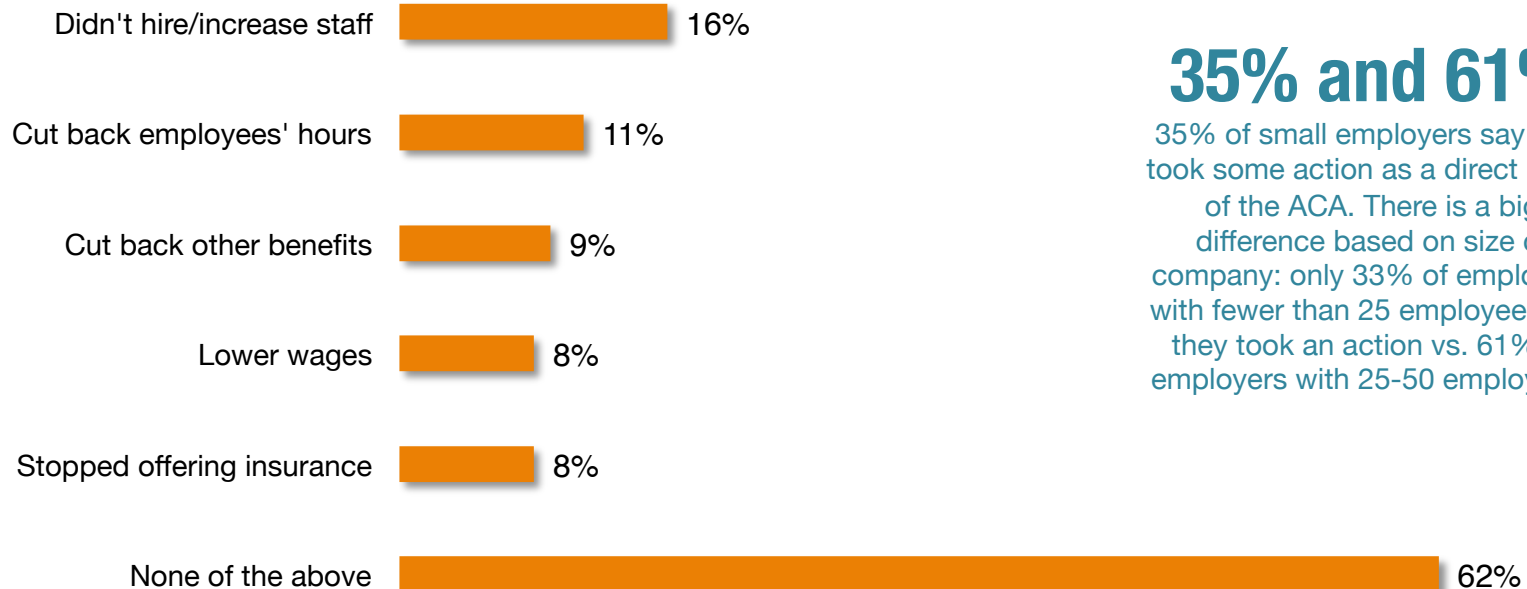


# MOST HAVE NOT MADE ANY CHANGES BECAUSE OF THE LAW.

More than 6 in 10 say they have not made any changes as a direct effect of the law – however, 1 in 3 have (35%). The most common change is deciding not to hire employees or increase staff, followed by cutting back employees' hours, lowering wages, and cutting back other benefits.

## Actions Small Employees Have Taken As a Direct Result of the Affordable Care Act

(Multiple Responses, n=821)



## 35% and 61%

35% of small employers say they took some action as a direct result of the ACA. There is a big difference based on size of company: only 33% of employers with fewer than 25 employees say they took an action vs. 61% of employers with 25-50 employees.

# **IMPLICATIONS**



# TARGET SMALL EMPLOYERS WHO CURRENTLY OFFER INSURANCE.

## 1 They are most likely to look into SHOP.

These employers tend to be companies with 10 or more employees and to think it is very important that their employees have coverage. Most intend to continue offering health insurance in the future and 9 in 10 say they are likely to look into SHOP the next time they need insurance. Bottom-line: going to SHOP is an “easy lift” for these employers – they understand the importance of insurance and are interested in exploring their options.

## 2 Emphasize the tax credit, the wide selection of plans, and their ability to set their contribution amount.

These are the best messages for employers who offer coverage. But keep in mind that while the tax credit is a top message, only companies with 25 or fewer employees can qualify (so be careful not to oversell it). Overall, the survey suggests simply educating these small employers about the features of the marketplace versus how they currently obtain their coverage could engage them. Working through insurance brokers is also helpful with this group, since 3 in 4 of these employers use them already.

# SMALL EMPLOYERS WHO DO NOT OFFER COVERAGE ARE A KEY AUDIENCE BUT A HARDER LIFT.

3

## **They have more barriers to using SHOP.**

Employers who do not currently offer coverage tend to be smaller in size (2-9 employees) and have lower-income employees. They think it is important that their employees have health insurance, but less so than other companies. Cost is their main challenge as well as the belief that most of their employees already have coverage. Also, only 37% have heard of SHOP, which indicates bigger awareness gaps. Still, 3 in 10 (30%) say they are likely to offer insurance in the next 12 months, which suggests insurance is on the horizon for many of them. There is potential for growth among these smaller employers if SHOP can present itself as a viable option moving forward.

4

## **Tax credit, control over contributions are key.**

These employers need to learn more about SHOP, particularly the tax credit and the ability to control their contribution amount. Cost is the key for them to offer coverage – if they believe SHOP offers more affordable plans or will help them control their costs, many are likely to look into it. Brokers are less effective messengers for this group – they are more interested in hearing from small employers like themselves who are using SHOP.

# TAP INTO SMALL EMPLOYERS TO PROMOTE THE INDIVIDUAL MARKETPLACE.

5

## **Small employers are good partners in outreach for the individual marketplace.**

Regardless of whether they offer health coverage or not, 84% of small employers in the survey say they are willing to help their employees find coverage and 96% of this group seem willing to encourage them to go to HealthCare.gov or their state marketplace to look for plans. Since a large portion of the uninsured work at small companies, this creates an opportunity for outreach and enrollment. Small employers should be a main focus of outreach not only for SHOP but for the individual marketplace.

# Questions?

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